



Mtubatuba Municipality  
(Registration number KZN 275)

Financial statements  
for the year ended 30 June 2013

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Executive committee</b>	MR Ntuli SC Mkhwanazi MN Davies DR Ntuli SJ Khoza ZE Nyawo MQ Mkhwanazi SJ Shezi
<b>Councillors</b>	NA Dhlamini NG Khumalo MZ Shobede LG Mkhwanazi RM Bukhosini RB Msomi CT Buthelezi LX Mkhwanazi PV Ntshalintshali SR Khumalo ZW Matonsi EK Magwaza TM Mbuyazi KP Tembe T Ndlovu SD Manqele KI Kheswa ML Mfekayi MA Gina DL Gumbi ML Mthethwa DLG Bhikili VC Mkhwanazi AN Khoza T Mnguni PK Msweli TT Maphanga SS Ncube FM Mathe FZ Nkwanyana
<b>Grading of local authority</b>	Grade 3
<b>Accounting Officer</b>	SR Ntuli
<b>Acting Chief Finance Officer (CFO)</b>	TG Ratau

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## General Information

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<b>Registered office</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Business address</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Postal address</b>	PO Box 52 Mtubatuba 3935
<b>Bankers</b>	First National Bank Mtubatuba
<b>Auditors</b>	Auditor General South Africa Registered Auditors

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Index

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Changes in Net Assets	7
Statement of Financial Performance	6
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
Accounting Policies	11 - 23
Notes to the Financial Statements	24 - 45
Appendixes:	
Appendix A: Schedule of External loans	46
Appendix B: Analysis of Property, Plant and Equipment	47
Statement of comparison of Budget and Actual	53

## Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Mtubatuba Municipality**

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 5 to 45, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

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**SR Ntuli**  
**Municipal Manager**

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Statement of Financial Position as at 30 June 2013

	Note(s)	2013	2012 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Trade receivables from non-exchange transactions	6	2 107 952	103 412
VAT receivable	7	4 101 434	197 112
Trade and other receivables from exchange transactions	8	10 321 453	8 073 880
Cash and cash equivalents	9	1 633 153	236 181
		<b>18 163 992</b>	<b>8 610 585</b>
<b>Non-Current Assets</b>			
Investment property	4	25 684 000	25 684 000
Property, plant and equipment	3	265 416 668	249 728 415
Intangible assets	5	124 020	262 528
		<b>291 224 688</b>	<b>275 674 943</b>
Non-current assets held for sale		15 957 484	17 565 339
<b>Total Assets</b>		<b>325 346 164</b>	<b>301 850 867</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Long-term loan	12	468 127	270 155
Finance lease obligation	10	1 168 239	1 360 800
Payables from exchange transactions	14	17 343 290	14 470 440
Third party payables	15	1 197 280	1 789 194
Unspent conditional grants	11	14 052 346	11 749 551
Bank overdraft	9	-	6 237 073
		<b>34 229 282</b>	<b>35 877 213</b>
<b>Non-Current Liabilities</b>			
Long-term loan	12	1 981 871	1 987 367
Finance lease obligation	10	1 624 704	2 563 807
Provisions	13	3 007 180	2 721 430
		<b>6 613 755</b>	<b>7 272 604</b>
<b>Total Liabilities</b>		<b>40 843 037</b>	<b>43 149 817</b>
<b>Net Assets</b>		<b>284 503 127</b>	<b>258 701 050</b>
Reserves			
Fair value adjustment assets-available-for-sale reserve		14 747 431	16 355 286
Accumulated surplus		269 755 696	242 345 764
<b>Total Net Assets</b>		<b>284 503 127</b>	<b>258 701 050</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

	Note(s)	2013	2012 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges		3 540 653	3 416 082
Rendering of services		1 447 607	1 433 095
Rental of facilities and equipment		215 698	255 231
Licences and permits		2 960 058	2 299 839
Administration and management fees received		2 223 811	3 361 208
Fees earned		416 041	254 868
Interest income	21	4 581 661	6 044 807
<b>Total revenue from exchange transactions</b>		<b>15 385 529</b>	<b>17 065 130</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates		17 601 807	17 205 185
<b>Transfer revenue</b>			
Government grants & subsidies	16	82 226 100	64 624 869
Fines		2 321 065	233 472
<b>Total revenue from non-exchange transactions</b>		<b>102 148 972</b>	<b>82 063 526</b>
<b>Total revenue</b>		<b>117 534 501</b>	<b>99 128 656</b>
<b>Expenditure</b>			
Employee related costs	18	(32 819 316)	(27 427 964)
Remuneration of councillors	19	(10 061 242)	(9 788 945)
Depreciation and amortisation	22	(11 004 101)	(6 589 475)
Finance costs	23	(1 089 737)	(372 159)
Debts written off / rebates	20	(6 435 548)	(6 811 999)
Repairs and maintenance		(3 217 868)	(4 773 534)
Grants and subsidies paid		(3 227 761)	(2 092 470)
General Expenses	17	(23 605 867)	(21 210 143)
<b>Total expenditure</b>		<b>(91 461 440)</b>	<b>(79 066 689)</b>
Loss on non-current assets held for sale		1 121 988	(2 499 593)
<b>Surplus for the year</b>		<b>27 195 049</b>	<b>17 562 374</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

	Fair value adjustment assets-held- for-sale reserve	Accumulated surplus	Total net assets
<b>Balance at 01 July 2011</b>	<b>16 355 286</b>	<b>207 061 122</b>	<b>223 416 408</b>
Changes in net assets			
Surplus for the year	-	17 562 374	17 562 374
Total changes	-	17 562 374	17 562 374
Opening balance as previously reported	16 355 286	95 092 499	111 447 785
Correction of errors PPE and other account balances	-	147 253 265	147 253 265
<b>Balance at 01 July 2012 as restated</b>	<b>16 355 286</b>	<b>242 345 764</b>	<b>258 701 050</b>
Changes in net assets			
Surplus for the year	-	27 195 049	27 195 049
Current year additions recognised at deemed cost	-	214 883	214 883
Realisation of fair value on disposal of non-current assets	(1 607 855)	-	(1 607 855)
Total changes	(1 607 855)	27 409 932	25 802 077
<b>Balance at 30 June 2013</b>	<b>14 747 431</b>	<b>269 755 696</b>	<b>284 503 127</b>



# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

	Note(s)	2013	2012 Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		23 100 682	29 244 317
Grants		86 635 999	60 613 804
Interest income		455 373	71 981
		<u>110 192 054</u>	<u>89 930 102</u>
<b>Payments</b>			
Employee costs		(42 102 700)	(32 948 272)
Suppliers		(32 994 546)	(30 616 397)
Finance costs		(1 089 737)	(563 980)
Other payments		-	(3 800 441)
		<u>(76 186 983)</u>	<u>(67 929 090)</u>
<b>Net cash flows from operating activities</b>	25	<u><b>34 005 071</b></u>	<u><b>22 001 012</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(26 553 826)	(24 671 446)
Proceeds from sale of non current assets held for sale	3	1 121 988	-
Purchase of other intangible assets	5	-	(140 139)
Purchase of other asset		-	2 493 147
		<u>(25 431 838)</u>	<u>(22 318 438)</u>
<b>Net cash flows from investing activities</b>		<u><b>(25 431 838)</b></u>	<u><b>(22 318 438)</b></u>
<b>Cash flows from financing activities</b>			
Movement in DBSA loan		-	(203 937)
Finance lease payments		(1 131 664)	(673 366)
Movement in DBSA loan		192 476	-
		<u>(939 188)</u>	<u>(877 303)</u>
<b>Net cash flows from financing activities</b>		<u><b>(939 188)</b></u>	<u><b>(877 303)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7 634 045</b>	<b>(1 194 729)</b>
Cash and cash equivalents at the beginning of the year		(6 000 892)	(4 806 163)
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>1 633 153</b></u>	<u><b>(6 000 892)</b></u>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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## Statement of Financial Performance

### Revenue

#### Revenue from exchange transactions

Refuse removal	4 058 000	-	4 058 000	3 540 653	(517 347)
Security services	1 578 950	482 373	2 061 323	1 447 607	(613 716)
Rental of facilities and equipment	100 000	-	100 000	215 698	115 698
Licences and permits	2 305 000	1 474 000	3 779 000	2 960 058	(818 942)
Sundry income	-	-	-	2 223 811	2 223 811
Fees earned	100 000	31 000	131 000	416 041	285 041
Interest received - investment	3 897 000	1 426 000	5 323 000	4 581 661	(741 339)
<b>Total revenue from exchange transactions</b>	<b>12 038 950</b>	<b>3 413 373</b>	<b>15 452 323</b>	<b>15 385 529</b>	<b>(66 794)</b>

#### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	15 713 000	1 627 000	17 340 000	17 601 807	261 807
Government grants & subsidies	55 305 000	-	55 305 000	82 226 100	26 921 100

##### Transfer revenue

Fines	100 000	157 000	257 000	2 321 065	2 064 065
<b>Total revenue from non-exchange transactions</b>	<b>71 118 000</b>	<b>1 784 000</b>	<b>72 902 000</b>	<b>102 148 972</b>	<b>29 246 972</b>
<b>Total revenue</b>	<b>83 156 950</b>	<b>5 197 373</b>	<b>88 354 323</b>	<b>117 534 501</b>	<b>29 180 178</b>

### Expenditure

Personnel	(40 059 000)	(3 748 000)	(43 807 000)	(32 819 316)	10 987 684
Remuneration of councillors	(9 446 000)	(3 008 000)	(12 454 000)	(10 061 242)	2 392 758
Depreciation and amortisation	(6 700 000)	-	(6 700 000)	(11 004 101)	(4 304 101)
Finance costs	(650 000)	-	(650 000)	(1 089 737)	(439 737)
Debts written off	(4 613 000)	-	(4 613 000)	(6 435 548)	(1 822 548)
Repairs and maintenance	(3 000 000)	-	(3 000 000)	(3 217 868)	(217 868)
Grants and subsidies paid	(3 227 761)	-	(3 227 761)	(3 227 761)	-
General Expenses	(18 500 000)	(419 000)	(18 919 000)	(23 605 867)	(4 686 867)
<b>Total expenditure</b>	<b>(86 195 761)</b>	<b>(7 175 000)</b>	<b>(93 370 761)</b>	<b>(91 461 440)</b>	<b>1 909 321</b>
<b>Operating surplus</b>	<b>(3 038 811)</b>	<b>(1 977 627)</b>	<b>(5 016 438)</b>	<b>26 073 061</b>	<b>31 089 499</b>
Gain on non-current assets held for sale or disposal groups	-	-	-	1 121 988	1 121 988
<b>Surplus before taxation</b>	<b>(3 038 811)</b>	<b>(1 977 627)</b>	<b>(5 016 438)</b>	<b>27 195 049</b>	<b>32 211 487</b>

## Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Surplus for the year from continuing operations</b>	<b>(3 038 811)</b>	<b>(1 977 627)</b>	<b>(5 016 438)</b>	<b>27 195 049</b>	<b>32 211 487</b>	
Transfers recognised - Capital	30 858 000	-	30 858 000	-	(30 858 000)	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>27 819 189</b>	<b>(1 977 627)</b>	<b>25 841 562</b>	<b>27 195 049</b>	<b>1 353 487</b>	

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those applied in the previous periods.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

##### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

##### Going concern

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

#### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.2 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The carrying amount of an item of investment property is derecognised on disposal or when no future economic benefit or service potential are expected from its use or disposal. Transfers to, or from, investment property is made when, and only when, there is a change in use.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the Municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by Management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated as it has an indefinite useful life.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefit or service potential are expected from its use or disposal.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Buildings	30
Plant and machinery	
• Specialised plant and equipment	10 - 15
• Other items of plant and equipment	2 - 5
Furniture and fixtures	
• Furniture and fittings	7 - 10
Office equipment	
• Office equipment	7 - 10
Infrastructure	
• Roads and paving	15 - 20
• Pedestrian malls	30
• Electricity	20
• Water	15 - 20
• Housing	30
• Landfill sites	15
• Sewage	15 - 20
Community	
• Recreational facilities	20 - 30
• Security measures	5
Other property, plant and equipment	
• Other vehicles	5 - 10
Bins and containers	
• Bins and containers	5

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

Specialised vehicles

- Specialised vehicles

5 - 20

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.5 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The Municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

# **Mtubatuba Municipality**

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.5 Heritage assets (continued)**

#### **Subsequent measurement**

After initial recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### **Impairment**

The Municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the Municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### **1.6 Financial instruments**

#### **Classification**

The Municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities at amortised cost
- Financial instruments at fair value

#### **Initial recognition and measurement**

Financial instruments are recognised initially when the Municipality becomes a party to the contractual provisions of the instruments.

The Municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or residual interest in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.



# **Mtubatuba Municipality**

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.6 Financial instruments (continued)**

#### **Subsequent measurement**

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### **Impairment of financial assets**

At each end of the reporting period the Municipality assesses all financial assets, other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit.

#### **Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as financial assets at amortised cost.

#### **Payables from exchange transactions**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Municipality's accounting policy for borrowing costs.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### 1.8 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.9 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

### 1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.11 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

### 1.12 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.12 Revenue from non-exchange transactions (continued)

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summones. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summones the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summones based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summones, the revenue from summones is recognised when the public prosecutor pays over to the entity the cash actually collected on summones issued.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Accounting Policies

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### 1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

# **Mtubatuba Municipality**

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.17 Irregular expenditure (continued)**

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.18 Use of estimates**

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### **1.19 Presentation of currency**

These financial statements are presented in South African Rand.

### **1.20 Offsetting**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### **1.21 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.22 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

# **Mtubatuba Municipality**

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## **Accounting Policies**

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### **1.22 Budget information (continued)**

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### **1.23 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.



# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	01 July 2012
• GRAP 24: Presentation of Budget Information in the Financial Statements	01 April 2012	01 July 2012
• GRAP 103: Heritage Assets	01 April 2012	01 July 2012
• GRAP 21: Impairment of non-cash-generating assets	01 April 2012	01 July 2012
• GRAP 26: Impairment of cash-generating assets	01 April 2012	01 July 2012
• GRAP 104: Financial Instruments	01 April 2012	01 July 2012

### 3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Restated carrying value
Land	28 902 790	-	28 902 790	28 902 790	-	28 902 790
Buildings	39 904 650	(2 660 310)	37 244 340	39 904 650	(1 330 155)	38 574 495
Plant and machinery	46 666	(21 109)	25 557	16 082	(15 140)	942
Furniture and fixtures	1 884 702	(989 850)	894 852	1 841 753	(762 213)	1 079 540
Motor vehicles	1 589 254	(890 265)	698 989	1 589 254	(663 229)	926 025
Office equipment	1 365 035	(557 329)	807 706	858 730	(386 338)	472 392
Infrastructure	150 525 123	(22 448 746)	128 076 377	147 021 715	(15 045 402)	131 976 313
Community	33 990 118	(2 078 402)	31 911 716	32 521 605	(964 267)	31 557 338
Other property, plant and equipment	147 909	(136 841)	11 068	147 909	(121 496)	26 413
Bins and containers	351 154	(81 220)	269 934	351 154	(46 034)	305 120
Other leased Assets # 1	3 392 281	(802 375)	2 589 906	3 392 281	(466 952)	2 925 329
Water network	5 698	(2 933)	2 765	2 900	(2 562)	338
Heritage	1 020 835	-	1 020 835	1 020 835	-	1 020 835
Work-in-Progress	32 959 833	-	32 959 833	11 960 545	-	11 960 545
<b>Total</b>	<b>296 086 048</b>	<b>(30 669 380)</b>	<b>265 416 668</b>	<b>269 532 203</b>	<b>(19 803 788)</b>	<b>249 728 415</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 3. Property, plant and equipment (continued)

#### 3.1 Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	28 902 790	-	-	-	28 902 790
Buildings	38 574 495	-	-	(1 330 155)	37 244 340
Plant and machinery	942	30 583	-	(5 968)	25 557
Furniture and fixtures	1 079 540	42 949	-	(227 637)	894 852
Motor vehicles	926 025	-	-	(227 036)	698 989
Office equipment	472 392	506 305	-	(170 991)	807 706
Infrastructure	131 976 313	3 503 408	-	(7 403 344)	128 076 377
Community	31 557 338	1 468 513	-	(1 114 135)	31 911 716
Security measures	26 413	-	-	(15 345)	11 068
Bins and containers	305 120	-	-	(35 186)	269 934
Leased motor vehicles	2 925 329	-	-	(335 423)	2 589 906
Water tanks	338	2 798	-	(371)	2 765
Heritage	1 020 835	-	-	-	1 020 835
Work-in-Progress	11 960 545	25 971 209	(4 971 921)	-	32 959 833
	<b>249 728 415</b>	<b>31 525 765</b>	<b>(4 971 921)</b>	<b>(10 865 591)</b>	<b>265 416 668</b>

#### 3.2 Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Restatement of prior period balances	Depreciation	Restated total
Land	23 370 475	-	-	5 532 315	-	28 902 790
Buildings	4 622 777	-	-	34 098 943	(147 225)	38 574 495
Plant and machinery	286 187	-	-	(188 841)	(96 404)	942
Furniture and fixtures	1 085 662	-	-	220 214	(226 336)	1 079 540
Motor vehicles	3 642 038	660 854	-	(3 043 176)	(333 691)	926 025
Office equipment	550 322	221 914	-	(76 883)	(222 961)	472 392
Infrastructure	8 502 900	-	-	126 594 456	(3 121 043)	131 976 313
Community	30 988 831	21 556 116	-	(19 390 210)	(1 597 399)	31 557 338
Security measures	73 503	-	-	(19 699)	(27 391)	26 413
Bins and containers	341 855	-	-	(26 196)	(10 539)	305 120
Leased motor vehicles	1 041 667	-	-	2 363 652	(479 990)	2 925 329
Water tanks	22 652	-	-	(20 818)	(1 496)	338
Heritage	670 834	-	-	350 001	-	1 020 835
Work-in-Progress	15 090 998	16 395 486	(21 231 115)	1 705 176	-	11 960 545
	<b>90 290 701</b>	<b>38 834 370</b>	<b>(21 231 115)</b>	<b>148 098 934</b>	<b>(6 264 475)</b>	<b>249 728 415</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 4. Investment property

	2013			2012		
	Cost / Valuation	Fair value adjustments and accumulated impairment	Carrying value	Cost / Valuation	Fair value adjustments and accumulated impairment	Carrying value
Investment property	25 684 000	-	25 684 000	25 684 000	-	25 684 000

### Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	25 684 000	25 684 000

### Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	25 684 000	25 684 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Restated carrying value
Computer software	395 655	(271 635)	124 020	395 655	(133 127)	262 528

### Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	262 528	(138 508)	124 020

### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Restatement of prior period balances	Amortisation	Restated total
Computer software	631 587	140 139	(339 756)	(169 442)	262 528

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>6. Trade receivables from non-exchange transactions</b>		
Fines	2 003 550	-
Deposits	104 402	103 412
	<b>2 107 952</b>	<b>103 412</b>
<b>7. VAT receivable</b>		
VAT	4 101 434	197 112
Mtubatuba municipality accounts for VAT on cash basis.		
<b>8. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Rates	28 253 019	30 588 343
Refuse	8 365 311	7 065 907
Security	4 043 101	2 886 956
	<b>40 661 431</b>	<b>40 541 206</b>
<b>Less: Allowance for impairment</b>		
Rates	(22 470 768)	(29 164 503)
Refuse	(6 435 991)	(2 790 328)
Security	(1 433 219)	(512 495)
	<b>(30 339 978)</b>	<b>(32 467 326)</b>
<b>Net balance</b>		
Rates	5 782 251	1 423 840
Refuse	1 929 320	4 275 579
Security	2 609 882	2 374 461
	<b>10 321 453</b>	<b>8 073 880</b>
<b>Included in above is receivables from exchange transactions</b>		
Refuse	1 674 694	4 275 579
Security	2 609 882	2 374 461
	<b>4 284 576</b>	<b>6 650 040</b>
<b>Included in above is receivables from non-exchange transactions</b>		
Rates	4 523 825	1 423 840
<b>Net balance</b>	<b>8 808 401</b>	<b>8 073 880</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>8. Trade and other receivables from exchange transactions (continued)</b>		
<b>Agriculture, business and mining</b>		
Current (0 -30 days)	1 301 988	1 385 122
31 - 60 days	349 768	275 654
61 - 90 days	301 705	251 477
91 - 120 days	323 696	233 941
121 - 365 days	4 326 790	3 124 586
	<b>6 603 947</b>	<b>5 270 780</b>
<b>Residential</b>		
Current (0 -30 days)	2 094 304	2 223 420
31 - 60 days	921 280	943 087
61 - 90 days	860 961	849 415
91 - 120 days	795 647	834 676
121 - 365 days	25 224 720	27 053 497
	<b>29 896 912</b>	<b>31 904 095</b>
<b>Other debtors</b>		
Current (0 -30 days)	297 165	428 160
31 - 60 days	52 107	173 800
61 - 90 days	(264 837)	(865 670)
91 - 120 days	125 988	99 281
121 - 365 days	1 699 007	1 803 056
	<b>1 909 430</b>	<b>1 638 627</b>
<b>Total</b>		
Current (0 -30 days)	3 692 949	4 036 701
31 - 60 days	1 342 422	1 392 541
61 - 90 days	894 436	235 221
91 - 120 days	1 229 118	1 167 898
121 - 365 days	31 251 364	31 981 142
Add back: Credit balances in debtors	2 251 141	1 727 703
Less: Credit impairments	(30 339 978)	(32 467 326)
	<b>10 321 452</b>	<b>8 073 880</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(32 467 326)	(26 225 989)
Contributions to allowance	-	(6 804 250)
Debt impairment written off against allowance	-	562 913
Reversal of allowance	2 127 348	-
	<b>(30 339 978)</b>	<b>(32 467 326)</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	4 924	26 510
Bank balances	1 436 629	-
Short-term deposits	191 600	209 671
Bank overdraft	-	(6 237 073)
	<b>1 633 153</b>	<b>(6 000 892)</b>
Current assets	1 633 153	236 181
Current liabilities	-	(6 237 073)
	<b>1 633 153</b>	<b>(6 000 892)</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
First National Bank (Primary) - 53093735184	1 447 164	(6 930 701)	(3 881 406)	1 436 629	(6 930 701)	(5 112 073)
First National Bank (Mtubatuba Low Cost) - 62050462606	-	-	46	-	-	46
First National Bank (Dukuduku Low Cost) - 62050465858	-	530	14 958	-	530	14 958
First National Bank (Call Deposit) - 62032346703	-	319	8 024	-	319	8 024
First National Bank (Money Market) - 62122552856	-	12 801	80 899	-	12 801	80 899
First National Bank (Eskom Deposit) - 71044025057	191 600	191 600	191 600	191 600	191 600	191 600
First National Bank (Call Account) - 62204396388	-	-	9 204	-	-	9 204
First National Bank (Call Account) - 62205190854	-	-	(2 397)	-	-	(2 397)
First National Bank (Call Account)	-	4 420	-	-	4 420	-
<b>Total</b>	<b>1 638 764</b>	<b>(6 721 031)</b>	<b>(3 579 072)</b>	<b>1 628 229</b>	<b>(6 721 031)</b>	<b>(4 809 739)</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>10. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 624 704	1 360 800
- in second to fifth year inclusive	1 168 239	2 563 807
<b>Present value of minimum lease payments</b>	<b>2 792 943</b>	<b>3 924 607</b>
 Non-current liabilities	 1 624 704	 2 563 807
Current liabilities	1 168 239	1 360 800
	<b>2 792 943</b>	<b>3 924 607</b>

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2012: 9%).

## 11. Unspent conditional grants

### Unspent conditional grants and receipts comprises of:

Corridor development funding	6 482 506	7 282 106
Dukuduku sport field	-	437 338
Municipal infrastructure grant	3 199 979	1 918 115
MTB library computer assistance	77 082	42 267
Small town rehabilitation	614 064	837 348
Rural electrification	2 446 338	-
Low cost housing grant	1 232 377	1 232 377
	<b>14 052 346</b>	<b>11 749 551</b>

### Movement during the year

Balance at the beginning of the year	10 517 174	3 948 443
Additions during the year	3 535 172	7 801 108
	<b>14 052 346</b>	<b>11 749 551</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 12. Long-term loan

#### At amortised cost

Development Bank of Southern Africa loan	2 449 998	2 257 522
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The DBSA loan is repaid over a period of 10 years and has a redemption date of 30 September 2018 at a fixed interest rate of 8.16%. The DBSA loan is not secured.

Management of the Municipality is of the opinion that the carrying value of long-term liabilities recorded at amortised in the financial statements approximate the fair value of the loan.

#### Non-current liabilities

At amortised cost	1 981 871	1 987 367
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#### Current liabilities

At amortised cost	468 127	270 155
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### 13. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation - St Lucia Landfill Site	2 721 430	285 750	3 007 180

#### Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Environmental rehabilitation - St Lucia Landfill Site	2 144 935	576 495	2 721 430

The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.5% over an average period of 5 years.

### 14. Payables from exchange transactions

Trade payables	10 219 888	10 781 176
Accrued leave pay	2 888 259	2 498 557
Accrued bonus	853 954	621 167
Accrued expenses	1 322 817	500
Retention	2 058 372	569 040
	<b>17 343 290</b>	<b>14 470 440</b>

The fair value of trade and other payables approximates their carrying amounts.



# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>15. Taxes and transfers payable</b>		
Third party payable	<u>1 197 280</u>	<u>1 789 194</u>
Third party payables in respect of all payroll related deductions.		

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>16. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	48 753 000	39 768 000
Capacity building	296 295	3 500
Corridor development/planning and development	799 600	1 222 894
Finance management grant/budget and treasury office	1 500 000	1 250 000
Library provincial support grant/libraries and archives	2 110 000	2 026 061
M T B library assistants-cadets/libraries and archives	176 785	207 978
MSIG ward committee expenditure	800 000	786 500
	<u>54 435 680</u>	<u>45 264 933</u>
<b>Capital grants</b>		
Dukuduku Sport Field	437 338	822 662
Municipal Infrastructure Grant (MIG)	19 576 136	14 526 209
National Electrification Programme	7 553 662	-
Small Town Rehabilitation	223 284	4 011 065
	<u>27 790 420</u>	<u>19 359 936</u>
	<u><b>82 226 100</b></u>	<u><b>64 624 869</b></u>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Corridor development funding

Balance unspent at beginning of year	7 282 106	10 517 174
Current-year receipts	-	10 517 174
Conditions met - transferred to revenue	(799 600)	(13 752 242)
	<u><b>6 482 506</b></u>	<u><b>7 282 106</b></u>

Conditions still to be met - remain liabilities (see note 11).

### Dukuduku sport field

Balance unspent at beginning of year	437 338	437 338
Conditions met - transferred to revenue	(437 338)	-
	<u><b>-</b></u>	<u><b>437 338</b></u>

Conditions still to be met - remain liabilities (see note 11).

### Municipal infrastructure grant

Balance unspent at beginning of year	1 918 115	1 918 115
Current-year receipts	20 858 000	-
Conditions met - transferred to revenue	(19 576 136)	-
	<u><b>3 199 979</b></u>	<u><b>1 918 115</b></u>

Conditions still to be met - remain liabilities (see note 11).

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>16. Government grants and subsidies (continued)</b>		
<b>MTB Library Computer Assistance</b>		
Balance unspent at beginning of year	42 267	42 267
Current-year receipts	34 815	-
	<u>77 082</u>	<u>42 267</u>
Conditions still to be met - remain liabilities (see note 11).		
<b>Small Town Rehabilitation</b>		
Balance unspent at beginning of year	837 348	837 348
Conditions met - transferred to revenue	(223 284)	-
	<u>614 064</u>	<u>837 348</u>
Conditions still to be met - remain liabilities (see note 11).		
<b>Rural electrification</b>		
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(7 553 662)	-
	<u>2 446 338</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
<b>Low cost housing grant</b>		
Balance unspent at beginning of year	<u>1 232 377</u>	<u>1 232 377</u>
Conditions still to be met - remain liabilities (see note 11).		

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>17. General expenses</b>		
Advertising	200 253	229 548
Auditors remuneration	1 786 367	1 412 907
Bank charges	104 949	154 051
Consulting and professional fees	599 248	1 334 837
Consumables	575 731	349 762
Entertainment	632 752	931 286
Insurance	244 640	280 253
IT expenses	485 392	214 885
Lease rentals on operating lease	-	265 788
Marketing	60 000	-
Levies	-	4 088
Motor vehicle expenses	2 522 835	664 341
Fuel and oil	760 570	901 508
Postage and courier	13 104	70 172
Printing and stationery	753 710	610 452
Project maintenance costs	2 992 354	1 253 118
Security	5 978 450	4 469 903
Subscriptions and membership fees	3 083	-
Telephone and fax	1 807 995	853 913
Training	155 346	190 741
Sewerage and waste disposal	2 302 083	2 638 470
Refuse	10 683	197 392
Uniforms	2 460	219 442
Other expenses	1 613 862	3 963 286
	<b>23 605 867</b>	<b>21 210 143</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>18. Employee related costs</b>		
Basic	18 628 812	15 032 858
Medical aid - company contributions	1 409 038	1 049 795
UIF	204 264	212 420
Other payroll levies	466 953	293 735
Leave pay provision charge	232 787	2 265 624
Pension fund and group life contribution	3 602 441	2 135 633
Travel, motor car, accommodation, subsistence and other allowances	1 817 068	2 003 012
Overtime payments	2 245 490	1 104 541
13th Cheques	1 713 586	1 011 078
Car allowance	2 161 152	1 817 198
Housing benefits and allowances	302 572	388 004
Telephone allowance	35 153	114 066
	<b>32 819 316</b>	<b>27 427 964</b>
<b>Remuneration - Municipal Manager</b>		
Annual Remuneration	565 648	341 847
Car Allowance	188 549	113 693
Cellphone allowance	24 000	16 000
Other	226 207	109 137
	<b>1 004 404</b>	<b>580 677</b>
<b>Remuneration - Chief Financial Officer</b>		
Annual Remuneration	173 925	443 796
Car Allowance	57 975	147 932
Cellphone allowance	6 000	16 500
Other	112 508	7 725
	<b>350 408</b>	<b>615 953</b>
<b>Remuneration - Director Corporate Services</b>		
Annual Remuneration	188 222	482 686
Car Allowance	42 892	160 895
Cellphone	6 000	18 000
Other	137 198	7 725
	<b>374 312</b>	<b>669 306</b>
<b>Remuneration - Director Community Services</b>		
Annual Remuneration	188 222	482 686
Car Allowance	42 892	160 895
Cellphone	6 000	18 000
Other	137 198	7 725
	<b>374 312</b>	<b>669 306</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>18. Employee related costs (continued)</b>		
<b>Remuneration - Director Technical Services</b>		
Annual Remuneration	555 781	482 686
Car Allowance	178 643	160 895
Cellphone allowance	18 000	18 000
Other	111 105	7 841
	<b>863 529</b>	<b>669 422</b>
<b>19. Remuneration of councillors</b>		
The Mayor	581 779	514 037
Deputy Mayor	316 787	347 053
Mayoral Committee Members	1 413 257	1 246 644
Speaker	409 879	417 915
Councillors	7 339 540	5 786 776
	<b>10 061 242</b>	<b>8 312 425</b>
<b>In-kind benefits</b>		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle for official duties.		
The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two and one full-time bodyguards respectively.		
<b>20. Debt impairment and write-offs</b>		
Reversal of debt impairment	(2 127 348)	6 811 999
Debts written off	8 562 896	-
	<b>6 435 548</b>	<b>6 811 999</b>
Debts written off relates to 50% amnesty and write-offs in respect of indigent consumers as approved by the Council.		
<b>21. Interest income</b>		
Bank	455 373	71 981
Interest charged on trade and other receivables	4 126 288	5 972 826
	<b>4 581 661</b>	<b>6 044 807</b>
<b>22. Depreciation and amortisation</b>		
Property, plant and equipment	10 865 593	6 589 475
Intangible assets	138 508	-
	<b>11 004 101</b>	<b>6 589 475</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>23. Finance costs</b>		
Interest on borrowings	846 465	372 159
Bank	243 272	-
	<b>1 089 737</b>	<b>372 159</b>
<b>24. Auditors' remuneration</b>		
Fees	1 786 367	1 412 907
<b>25. Cash generated from operations</b>		
Surplus	27 195 049	17 562 374
<b>Adjustments for:</b>		
Depreciation and amortisation	11 004 101	6 403 780
Loss on sale of non-current assets	(1 121 988)	2 499 593
Debt impairment	6 435 548	6 811 999
Movements in provisions	285 750	1 892 711
Current year additions recognised at deemed cost	214 863	-
<b>Changes in working capital:</b>		
Receivables from exchange transactions	-	(5 385 115)
Other receivables from non-exchange transactions	(2 004 540)	(103 412)
Consumer debtors	(8 683 121)	(1 651 646)
Payables from exchange transactions	2 872 850	(1 575 403)
VAT	(3 904 322)	(1 568 985)
Taxes and transfers payable (non exchange)	(591 914)	-
Unspent conditional grants	2 302 795	(2 884 884)
	<b>34 005 071</b>	<b>22 001 012</b>
<b>26. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for</b>		
• Infrastructure	11 917 380	7 885 809
• Electrification	2 709 182	-
	<b>14 626 562</b>	<b>7 885 809</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Infrastructure	17 800 000	15 592 900
• Electrification	-	10 000 000
	<b>17 800 000</b>	<b>25 592 900</b>

This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 27. Contingencies

The following cases against the municipality are still pending and management consider them as contingent liabilities:

#### 2013

(1) K Moonsamy and others - K Moonsamy instituted action against the municipality, Logan Moonsamy and the Registrar of Deeds in the KwaZulu-Natal High Court regarding the cancellation of a contract. The estimate of the financial impact is R 60 000.

(2) LNW Asset and Risk Managers - Summons issued against the municipality amounted to the value of R 15 000.

(3) Joyce Fikile Mbatha - Damages due to an ankle fracture by J Mbatha were estimated to R 25 000.

(4) Munitech (Pty) Ltd - The municipality was summoned to pay Munitech (Pty) Ltd an amount of R 149 997.21 for the completion of an integrated waste management plan.

### 28. Related parties

There were no transactions with related parties that were not at arm's length or that were not in the ordinary course of business.



# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 29. Prior period errors

#### 1. Property, Plant and Equipment

Property, Plant and Equipment were incorrectly reported in the prior year and prior balances have therefore been restated accordingly. The restatement arose from infrastructure (roads) previously not recognised and recognition of work-in-progress previously expensed. In addition, there was recognition of assets transferred from Hlabisa Local Municipality and reclassification resulting in different depreciation rates.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 29. Prior period errors (continued)

#### 2. Review of opening balances

In terms of GRAP 1, the Municipality should prepare Annual Financial Statements in a manner that fairly presents the financial position, financial performance and cash flows of the Municipality. The principle of fair presentation requires faithful representation of effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses as set out in the Framework for the Preparation and Presentation of Annual Financial Statements. The application of the Standards of GRAP with additional disclosures when necessary is presumed to result in financial statements that achieve a fair presentation.

In order to comply with various requirements of Generally Recognised Accounting Practice and the fundamental principle of fair presentation, the Municipality has conducted thorough assessment on the account balances as reflected on the Municipality's Annual Financial Statements as at 30 June 2012. The Municipality further investigated all the uncorrected material misstatements noted by the office of the Auditor General during the 2012 financial year end audit. The Municipality assessment of the ledger balances was based on the fundamental principle as prescribed by the definition of assets and liabilities on GRAP 1. In assessing fair presentation of the account balances, relevant Municipality assertions as embodied on the Annual Financial Statements were also taken into account. The outcome of the assessment resulted to correction of the opening balances in respect of the components detailed below.

#### Cash and cash equivalents - Cancelled Cheques

Through a detailed review and inspection of the accounting records, the Municipality noted that the balance of the cheques that were classified as outstanding as per June 2012 bank reconciliation, included cancelled cheques. Cancelled cheques should be immediately reversed from the accounting records and thus should not be reflected as reconciling difference between Cashbook and Bank Statements. The Municipality further confirmed, through the review of the relevant records, that the affected suppliers were subsequently paid and therefore there is no present obligation toward the respective suppliers. The net effect of the error was the understatement of bank balance as per cashbook and overstatement of the expenditure or understatement of prior year net surplus. In light of the above the council approved reversal of the cancelled cheques against the accumulated surplus.

#### VAT receivable

The Municipality conducted a detailed review of the current systems and internal controls put in place in order to ensure correct VAT treatment and overall compliance with various provisions of the VAT Act. The review included obtaining an understanding of the internal controls and processes in place, as well as thorough investigation of material transactions processed in the 2012 financial year. The review also included obtaining a clear understanding of the nature of all VAT accounts in the Municipality General Ledger, system mapping of these accounts, reconciliation of the municipality records to SARS records as at June 2012 and the overall VAT treatment.

The review reflected that the VAT balance was materially misstated as a result of unsubstantiated journals processed in the 2012 financial year resulting in overstatement of Trade and other receivables. In order to correct misstatements noted, the Council approved the write off and/ or reversal of all the account balances/ journal entries that did not represent the true financial position of the Municipality.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 29. Prior period errors (continued)

#### Other receivables and payables

The Municipality conducted detailed review of other receivable and payable balances as reflected in the Municipality General Ledger and Annual Financial Statements as at 30 June 2012. The assessment was based on the fundamental principle of fair presentation of account balances and whether or not the account balances still meets the relevant definition of the assets or liabilities. Through this detailed review it became apparent that the Municipality could not substantiate these balances. In addition it became apparent that most of these account balances resulted from unsubstantiated journals processed in the prior years. Therefore, in line with the fundamental principle of fair presentation, the Council approved the write off in respect of all the account balances that do not reflect the true financial position of the Municipality.

#### Retentions

The Municipality conducted detailed review of all the capital projects records as per Technical Department records as at 30 June 2012. Through this review the Municipality compiled a schedule reflecting all funds held as retention as at 30 June 2012. The schedule reflected that the retention balance as at 30 June 2012 should have been R569 039. Therefore the retention liability in respect of 2012 financial year was materially overstated. The Council has approved the write off of the excess amount in order to achieve fair presentation reporting objective.

#### Payroll accruals

The Municipality conducted detailed review of the third parties general ledger accounts and reconciliation to SARS records. Through this review it became apparent that the account balances as at 30 June 2012 were materially mistated.

Therefore, in line with the fundamental principle of fair presentation, the Council approved the write off in respect of all the account balances that do not reflect the true financial position of the Municipality.

#### Expenditure

Through a detailed review of the prior year work in progress records the Municipality noted that expenditure relating to some capital projects was written off to the statement of financial performance. The Municipality has reclassified this particular expenditure to the capital work in progress account and resulting in an increase in the prior year net surplus.

#### Statement of financial position - other restatements

Opening balance - Unappropriated surplus as per AFS	-	(95 092 499)
Cash and cash equivalents - cancelled cheques	-	693 628
VAT	-	4 039 602
Other Receivables & Payables	-	(1 092 984)
Trade payables	-	(697 932)
Trade receivables	-	328 710
Retentions	-	(529 388)
Payroll accruals	-	(869 527)
Reclassification of capital expenditure previously written off	-	(1 705 176)
Closing balance	-	(96 312 819)

#### Statement of financial position - PPE restatements

Infrastructure assets recognised	-	126 591 143
Other corrections	-	19 766 802

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>29. Prior period errors (continued)</b>		
Closing balance	-	146 066 278

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
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### 30. Risk management

#### Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large number of ratepayers dispersed accross different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2 013	2012
Trade and other receivables from non-exchange transactions	2 107 952	103 412

#### Interest rate risk

As the Municipality has no significant interest-bearing assets, the Municipality's income and operating cash flows are substantially independent of changes in market interest rates. The DBSA loan has a fixed interest rate which is not linked to the prime rate.

Potential concentrations of interest rate consist mainly of variable rate deposit investments, consumer debtors, other debtors, bank and cash balances.

The Municipality is exposed to interest rate risk as the Municipality borrows funds at both fixed and floating interest rates.

### 31. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the Municipality.

### 32. Events after the reporting date

There were no non-adjusting events after the reporting date.

# Mtubatuba Municipality

(Registration number KZN 275)

Financial Statements for the year ended 30 June 2013

## Notes to the Financial Statements

	2013	2012 Restated
<b>33. Unauthorised expenditure</b>		
Opening balance	13 943 267	-
Current year movement	4 904 735	13 943 267
Condoned	(13 943 267)	-
	<b>4 904 735</b>	<b>13 943 267</b>
<b>34. Fruitless and wasteful expenditure</b>		
Opening balance	487 072	-
Interest - SARS	1 114	85 954
Penalties - SARS	206 570	401 118
	<b>694 756</b>	<b>487 072</b>
<b>35. Irregular expenditure</b>		
Opening balance	29 530 594	14 260 285
Add: Irregular Expenditure - current year deviations	719 978	15 270 309
Add: Irregular Expenditure - current year conditional grants	6 337 463	-
Less: Amounts condoned	(30 250 572)	-
	<b>6 337 463</b>	<b>29 530 594</b>

## Appendix A

June 2013

### Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at 30 June 2012	Additions and Interest capitalised	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
<b>Loan Stock</b>							
<b>Structured loans</b>							
<b>Funding facility</b>							
<b>Development Bank of South Africa</b>							
Long term loan	43373	2 257 522	192 477	-	2 449 999	-	-
		<b>2 257 522</b>	<b>192 477</b>	<b>-</b>	<b>2 449 999</b>	<b>-</b>	<b>-</b>
<b>Bonds</b>							
<b>Other loans</b>							
<b>Lease liability</b>							
ABSA	Various	2 426 624	-	-	2 426 624	-	-
WESBANK	Various	725 832	-	-	725 832	-	-
		<b>3 152 456</b>	<b>-</b>	<b>-</b>	<b>3 152 456</b>	<b>-</b>	<b>-</b>
<b>Annuity loans</b>							
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa		2 257 522	192 477	-	2 449 999	-	-
Lease liability		3 152 456	-	-	3 152 456	-	-
		<b>5 409 978</b>	<b>192 477</b>	<b>-</b>	<b>5 602 455</b>	<b>-</b>	<b>-</b>

## Appendix B

June 2013

### Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land (Separate for AFS purposes)	28 902 790	-	-	-	-	-	28 902 790	-	-	-	-	-	28 902 790
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	39 904 650	-	-	-	-	-	39 904 650	1 330 155	-	-	-	1 330 155	41 234 805
	<b>68 807 440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68 807 440</b>	<b>1 330 155</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 330 155</b>	<b>70 137 595</b>

#### Infrastructure

Roads, Pavements & Bridges	147 021 715	3 503 408	-	-	-	-	150 525 123	(22 448 746)	-	-	(7 403 345)	-	(29 852 091)	120 673 032
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	147 021 715	3 503 408	-	-	-	-	150 525 123	(22 448 746)	-	-	(7 403 345)	-	(29 852 091)	120 673 032

#### Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	23 356 955	-	-	-	-	-	23 356 955	(241 426)	-	-	(333 531)	-	(574 957)	22 781 998
Libraries	6 094 500	-	-	-	-	-	6 094 500	(609 450)	-	-	(609 450)	-	(1 218 900)	4 875 600
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	29 451 455	-	-	-	-	-	29 451 455	(850 876)	-	-	(942 981)	-	(1 793 857)	27 657 598



## Appendix B

June 2013

### Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	1 020 835
	<b>1 020 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 020 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 020 835</b>

#### Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Other assets

General vehicles	1 589 254	-	-	-	-	-	<b>1 589 254</b>	(663 229)	-	-	(227 036)	-	(890 265)	698 989
Plant & equipment	16 082	30 583	-	-	-	-	<b>46 665</b>	(15 140)	-	-	(5 969)	-	(21 109)	25 556
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 841 753	42 949	-	-	-	-	<b>1 884 702</b>	(762 213)	-	-	(227 637)	-	(989 850)	894 852
Office Equipment	858 730	506 305	-	-	-	-	<b>1 365 035</b>	(386 338)	-	-	(170 991)	-	(557 329)	807 706
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	2 407 000	-	-	-	-	-	<b>2 407 000</b>	(80 233)	-	-	(80 233)	-	(160 466)	2 246 534
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	147 909	-	-	-	-	-	<b>147 909</b>	(121 496)	-	-	(15 345)	-	(136 841)	11 068
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	351 154	-	-	-	-	-	<b>351 154</b>	(46 034)	-	-	(35 186)	-	(81 220)	269 934
Work in progress	10 255 369	25 158 275	-	(4 971 921)	-	-	<b>30 441 723</b>	-	-	-	-	-	-	30 441 723
Water tanks	2 900	2 798	-	-	-	-	<b>5 698</b>	(2 562)	-	-	(372)	-	(2 934)	2 764
Leased motor vehicles	3 392 281	-	-	-	-	-	<b>3 392 281</b>	(466 952)	-	-	(335 423)	-	(802 375)	2 589 906
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>20 862 432</b>	<b>25 740 910</b>	<b>-</b>	<b>(4 971 921)</b>	<b>-</b>	<b>-</b>	<b>41 631 421</b>	<b>(2 544 197)</b>	<b>-</b>	<b>-</b>	<b>(1 098 192)</b>	<b>-</b>	<b>(3 642 389)</b>	<b>37 989 032</b>

## Appendix B

June 2013

### Analysis of property, plant and equipment as at 30 June 2013

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	68 807 440	-	-	-	-	-	68 807 440	1 330 155	-	-	-	-	1 330 155	70 137 595
Infrastructure	147 021 715	3 503 408	-	-	-	-	150 525 123	(22 448 746)	-	-	(7 403 345)	-	(29 852 091)	120 673 032
Community Assets	29 451 455	-	-	-	-	-	29 451 455	(850 876)	-	-	(942 981)	-	(1 793 857)	27 657 598
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	20 862 432	25 740 910	-	(4 971 921)	-	-	41 631 421	(2 544 197)	-	-	(1 098 192)	-	(3 642 389)	37 989 032
	<b>267 163 877</b>	<b>29 244 318</b>	<b>-</b>	<b>(4 971 921)</b>	<b>-</b>	<b>-</b>	<b>291 436 274</b>	<b>(24 513 664)</b>	<b>-</b>	<b>-</b>	<b>(9 444 518)</b>	<b>-</b>	<b>(33 958 182)</b>	<b>257 478 092</b>
<b>Non-current assets held for sale</b>														
Non-current assets held for sale	17 565 339	-	(1 607 855)	-	-	-	15 957 484	-	-	-	-	-	-	15 957 484
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>17 565 339</b>	<b>-</b>	<b>(1 607 855)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 957 484</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 957 484</b>
<b>Intangible assets</b>														
Computers - software & programming	395 655	-	-	-	-	-	395 655	(133 127)	-	-	(138 508)	-	(271 635)	124 020
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>395 655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>395 655</b>	<b>(133 127)</b>	<b>-</b>	<b>-</b>	<b>(138 508)</b>	<b>-</b>	<b>(271 635)</b>	<b>124 020</b>
<b>Investment properties</b>														
Investment property	25 684 000	-	-	-	-	-	25 684 000	-	-	-	-	-	-	25 684 000
	<b>25 684 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 684 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 684 000</b>
<b>Total</b>														
Land and buildings	68 807 440	-	-	-	-	-	68 807 440	1 330 155	-	-	-	-	1 330 155	70 137 595
Infrastructure	147 021 715	3 503 408	-	-	-	-	150 525 123	(22 448 746)	-	-	(7 403 345)	-	(29 852 091)	120 673 032
Community Assets	29 451 455	-	-	-	-	-	29 451 455	(850 876)	-	-	(942 981)	-	(1 793 857)	27 657 598
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	-	-	-	-	-	-	1 020 835
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	20 862 432	25 740 910	-	(4 971 921)	-	-	41 631 421	(2 544 197)	-	-	(1 098 192)	-	(3 642 389)	37 989 032
Non-current assets held for sale	17 565 339	-	(1 607 855)	-	-	-	15 957 484	-	-	-	-	-	-	15 957 484
Intangible assets	395 655	-	-	-	-	-	395 655	(133 127)	-	-	(138 508)	-	(271 635)	124 020
Investment properties	25 684 000	-	-	-	-	-	25 684 000	-	-	-	-	-	-	25 684 000
	<b>310 808 871</b>	<b>29 244 318</b>	<b>(1 607 855)</b>	<b>(4 971 921)</b>	<b>-</b>	<b>-</b>	<b>333 473 413</b>	<b>(24 646 791)</b>	<b>-</b>	<b>-</b>	<b>(9 583 026)</b>	<b>-</b>	<b>(34 229 817)</b>	<b>299 243 596</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land (Separate for AFS purposes)	23 370 475	-	-	-	-	5 532 315	28 902 790	-	-	-	-	-	-	28 902 790
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	10 269 778	-	-	-	-	29 634 872	39 904 650	(5 647 001)	-	-	(4 316 846)	-	(9 963 847)	29 940 803
	<b>33 640 253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35 167 187</b>	<b>68 807 440</b>	<b>(5 647 001)</b>	<b>-</b>	<b>-</b>	<b>(4 316 846)</b>	<b>-</b>	<b>(9 963 847)</b>	<b>58 843 593</b>

#### Infrastructure

Roads, Pavements & Bridges	93 531 900	53 489 815	-	-	-	-	147 021 715	(85 029 000)	-	-	(69 983 598)	-	(155 012 598)	(7 990 883)
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	25 076	-	-	-	-	(25 076)	-	(3 313)	-	-	3 313	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	15 090 967	1 797 527	-	-	-	-	16 888 494	-	-	-	-	-	-	16 888 494
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>108 647 943</b>	<b>55 287 342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25 076)</b>	<b>163 910 209</b>	<b>(85 032 313)</b>	<b>-</b>	<b>-</b>	<b>(69 980 285)</b>	<b>-</b>	<b>(155 012 598)</b>	<b>8 897 611</b>

#### Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	42 384 500	-	-	-	-	(9 862 895)	32 521 605	(11 395 669)	-	-	(11 395 669)	-	(22 791 338)	9 730 267
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>42 384 500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9 862 895)</b>	<b>32 521 605</b>	<b>(11 395 669)</b>	<b>-</b>	<b>-</b>	<b>(11 395 669)</b>	<b>-</b>	<b>(22 791 338)</b>	<b>9 730 267</b>

## Appendix B

June 2013

### Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation						Accumulated depreciation							
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1 020 835	-	-	-	-	-	1 020 835	(350 001)	-	-	350 001	-	-	1 020 835
	<b>1 020 835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 020 835</b>	<b>(350 001)</b>	<b>-</b>	<b>-</b>	<b>350 001</b>	<b>-</b>	<b>-</b>	<b>1 020 835</b>
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>														
General vehicles	4 125 568	-	-	-	-	(2 536 314)	1 589 254	(483 494)	-	-	(179 735)	-	(663 229)	926 025
Plant & equipment	693 917	-	-	-	-	(677 835)	16 082	(407 730)	-	-	(392 591)	-	(800 321)	(784 239)
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 195 133	-	-	-	-	(353 380)	1 841 753	(1 109 471)	-	-	(347 258)	-	(1 456 729)	385 024
Office Equipment	(695 191)	-	-	-	-	1 553 920	858 729	(907 905)	-	-	(521 566)	-	(1 429 471)	(570 742)
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	171 009	-	-	-	-	(23 100)	147 909	(97 506)	-	-	(23 991)	-	(121 497)	26 412
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	351 067	-	-	-	-	87	351 154	(9 212)	-	-	(36 822)	-	(46 034)	305 120
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	29 890	-	-	-	-	(26 990)	2 900	(7 238)	-	-	4 676	-	(2 562)	338
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>6 871 393</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 063 612)</b>	<b>4 807 781</b>	<b>(3 022 556)</b>	<b>-</b>	<b>-</b>	<b>(1 497 287)</b>	<b>-</b>	<b>(4 519 843)</b>	<b>287 938</b>

## Appendix B

June 2013

### Analysis of property, plant and equipment as at 30 June 2012

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	33 640 253	-	-	-	-	35 167 187	68 807 440	(5 647 001)	-	-	(4 316 846)	-	(9 963 847)	58 843 593
Infrastructure	108 647 943	55 287 342	-	-	-	(25 076)	163 910 209	(85 032 313)	-	-	(69 980 285)	-	(155 012 598)	8 897 611
Community Assets	42 384 500	-	-	-	-	(9 862 895)	32 521 605	(11 395 669)	-	-	(11 395 669)	-	(22 791 338)	9 730 267
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	(350 001)	-	-	350 001	-	-	1 020 835
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	6 871 393	-	-	-	-	(2 063 612)	4 807 781	(3 022 556)	-	-	(1 497 287)	-	(4 519 843)	287 938
	<b>192 564 924</b>	<b>55 287 342</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23 215 604</b>	<b>271 067 870</b>	<b>(105 447 540)</b>	<b>-</b>	<b>-</b>	<b>(86 840 086)</b>	<b>-</b>	<b>(192 287 626)</b>	<b>78 780 244</b>
<b>Non-current assets held for sale</b>														
Non-current assets held for sale	22 558 049	-	(4 992 710)	-	-	-	17 565 339	-	-	-	-	-	-	17 565 339
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>22 558 049</b>	<b>-</b>	<b>(4 992 710)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 565 339</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 565 339</b>
<b>Intangible assets</b>														
Computers - software & programming	631 587	-	-	-	-	(235 932)	395 655	-	-	-	(133 127)	-	(133 127)	262 528
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>631 587</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(235 932)</b>	<b>395 655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(133 127)</b>	<b>-</b>	<b>(133 127)</b>	<b>262 528</b>
<b>Investment properties</b>														
Investment property	25 684 000	-	-	-	-	-	25 684 000	-	-	-	-	-	-	25 684 000
	<b>25 684 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 684 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 684 000</b>
<b>Total</b>														
Land and buildings	33 640 253	-	-	-	-	35 167 187	68 807 440	(5 647 001)	-	-	(4 316 846)	-	(9 963 847)	58 843 593
Infrastructure	108 647 943	55 287 342	-	-	-	(25 076)	163 910 209	(85 032 313)	-	-	(69 980 285)	-	(155 012 598)	8 897 611
Community Assets	42 384 500	-	-	-	-	(9 862 895)	32 521 605	(11 395 669)	-	-	(11 395 669)	-	(22 791 338)	9 730 267
Heritage assets	1 020 835	-	-	-	-	-	1 020 835	(350 001)	-	-	350 001	-	-	1 020 835
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	6 871 393	-	-	-	-	(2 063 612)	4 807 781	(3 022 556)	-	-	(1 497 287)	-	(4 519 843)	287 938
Non-current assets held for sale	22 558 049	-	(4 992 710)	-	-	-	17 565 339	-	-	-	-	-	-	17 565 339
Intangible assets	631 587	-	-	-	-	(235 932)	395 655	-	-	-	(133 127)	-	(133 127)	262 528
Investment properties	25 684 000	-	-	-	-	-	25 684 000	-	-	-	-	-	-	25 684 000
	<b>241 438 560</b>	<b>55 287 342</b>	<b>(4 992 710)</b>	<b>-</b>	<b>-</b>	<b>22 979 672</b>	<b>314 712 864</b>	<b>(105 447 540)</b>	<b>-</b>	<b>-</b>	<b>(86 973 213)</b>	<b>-</b>	<b>(192 420 753)</b>	<b>122 292 111</b>

## Appendix E(1)

June 2013

### Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Property rates	17 601 807	17 340 000	261 807	1.5	
Refuse removal	3 540 653	4 058 000	(517 347)	(12.7)	
Security services	1 447 607	2 061 323	(613 716)	(29.8)	
Investment revenue	4 581 661	5 323 000	(741 339)	(13.9)	The variance is due to new fixed investment accounts opened in April 2013 with the purpose of boosting up the municipal revenue.
Property rates - penalties imposed and collection charges	-	-	-	-	
Service charges	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	215 698	100 000	115 698	115.7	The increase emanate from the increase in the number of municipal facilities mainly halls.
Traffic fines	2 321 065	257 000	2 064 065	803.1	The municipality does not have control on traffic fines since the actual payments for fines are finally determined by the magistrate.
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	2 960 058	3 779 000	(818 942)	(21.7)	
	-	-	-	-	
Fees earned	416 041	131 000	285 041	217.6	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	

## Appendix E(1)

June 2013

### Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Miscellaneous other revenue	-	-	-	-
Administration and management fees received	-	-	-	-
Fees earned	-	-	-	-
Commissions received	-	-	-	-
Royalties received	-	-	-	-
Rental income	-	-	-	-
Discount received	-	-	-	-
Recoveries	-	-	-	-
Other income - internal	2 223 811	-	2 223 811	-
Other income 2	-	-	-	-
Financial instruments - Fee income	-	-	-	-
Other income - (rollup)	-	-	-	-
Other farming income 1	-	-	-	-
Other farming income 2	-	-	-	-
Other farming income 3	-	-	-	-
Other farming income 4	-	-	-	-
Other farming income	-	-	-	-
Government grants	82 226 100	55 305 000	26 921 100	48.7
Gain on disposal	-	-	-	-
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	117 534 501	88 354 323	29 180 178	33.0
Expenses				
Personnel	(32 819 316)	(43 807 000)	10 987 684	(25.1)
Manufacturing - Employee costs	-	-	-	-

# Appendix E(1)

June 2013

## Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Remuneration of councillors	(10 061 242)	(12 454 000)	2 392 758	(19.2) The budget was inclusive of councillors increase which was proposed by COGTA in December 2012 which was including backpay from July 2012 (Circular 1062 dated 07 December 2012).
Contracted services	-	-	-	- The municipality restricted the budget with the purpose of ensuring the budget was cash-backed.
Transfer payments	-	-	-	-
Depreciation	(11 004 101)	(6 700 000)	(4 304 101)	64.2
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(1 089 737)	(650 000)	(439 737)	67.7
Debt written off	(6 435 548)	(4 613 000)	(1 822 548)	39.5
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance	(3 217 868)	(3 000 000)	(217 868)	7.3
- General	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Bulk purchases	-	-	-	-
Contracted Services	-	-	-	-
Grants and subsidies paid	(3 227 761)	(3 227 761)	-	-
Cost of housing sold	-	-	-	-
General Expenses	(23 605 867)	(18 919 000)	(4 686 867)	24.8 The municipality restricted the budget with the purpose of ensuring the budget was cash-backed
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-



## Appendix E(1)

June 2013

### Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(91 461 440)	(93 370 761)	1 909 321	(2.0)
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	1 121 988	-	1 121 988	-
Taxation	-	-	-	-
Transfers - capital	-	30 858 000	(30 858 000)	(100.0)
	1 121 988	30 858 000	(29 736 012)	(96.4)
Net surplus/ (deficit) for the year	27 195 049	25 841 562	1 353 487	5.2